

Bureau of Engraving and Printing

Program Summary by Account

(Dollars in thousands)

Budget Activity	FY 2006	FY 2007	FY 2008		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Manufacturing	445,000	493,000	537,000	44,000	8.9%
Protection and Accountability of Assets	61,000	63,000	65,000	2,000	3.2%
Total Cost of Operations	\$506,000	\$556,000	\$602,000	\$46,000	8.3%

Explanation of Budget Estimate

The Bureau of Engraving and Printing (BEP) began printing currency in 1862. It operates on the basis of authority conferred upon the Secretary of the Treasury by 31 U.S.C. 321(a) (4) to engrave and print currency and other security documents. Operations at BEP are financed by a revolving fund established in 1950 in accordance with Public Law 81-656. This fund is reimbursed through product sales for direct and indirect costs of operations including administrative expenses. In 1977, Public Law 95-81 authorized the bureau to include an amount sufficient to fund capital investments and to meet working capital requirements in the prices charged for products. This funding mechanism eliminated the need for appropriations from Congress.

BEP key priorities for FY 2008 include:

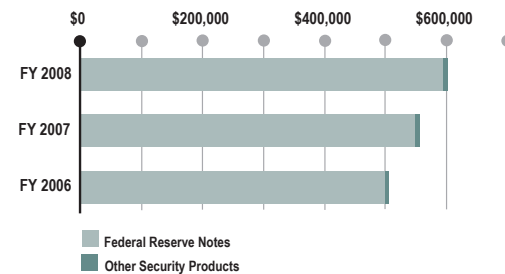
- Produce and deliver the most secure currency for the Nation in the most cost effective manner possible. BEP expects to produce and deliver 9.7 billion notes to the Federal Reserve System in 2008, an increase of nearly 7 percent over the 2007 program.
- Redesign the \$5 and \$100 notes. The redesigned \$5 note will begin circulating in spring 2008; the new \$100 note should begin circulating in FY 2009. The new notes are part of the current multi-year initiative to implement the most ambitious currency redesign in U.S. history.
- Continue process improvements as required of an ISO 9001 certified organization, a designation that indicates to current and prospective customers that the bureau employs a rigorous quality management program.
- Continue to work with the Advanced Counterfeit Deterrent Committee to research and develop state-

of-the-art counterfeit deterrent features to enhance and protect future currency notes.

Estimated BEP revenue and expenditures for FY 2008 is \$602,000,000.

BEP Revenue History

(Dollars in Thousands)



Purpose of Program

The mission of BEP is to design and manufacture high quality security documents that deter counterfeiting and meet customer requirements for quality, quantity and performance.

BEP's vision is to maintain its position as a world-class securities printer providing customers and the public superior products through excellence in manufacturing and technological innovation. It strives to produce United States currency of the highest quality, as well as many other security documents issued by the federal government. Other activities include engraving plates and dies; manufacturing inks used to print security products; purchasing materials, supplies and equipment; and storing and delivering products in accordance with the requirements of its customers. In addition, the bureau provides technical assistance and advice to other federal agencies in the design and production of documents, which, because of their innate value or other characteristics, require counterfeit deterrence.

In line with BEP's vision, the Bureau's top priorities for FY 2008 to achieve its mission are the introduction of a new \$5 note into circulation in spring 2008, and a new \$100 note should begin circulating in

2009. These new notes will contain enhanced security features including subtle background colors. Background colors help consumers, particularly those who are visually impaired, to tell the denominations apart. BEP is also developing and testing several new overt counterfeit deterrent features for possible inclusion in the new \$100 note. Collaboration continues between BEP and the Advanced Counterfeit Deterrent Committee to research and develop possible new features and designs that will enhance and protect future currency notes.

Explanation of Budget Activities

Manufacturing (\$537,000,000 from reimbursable programs) BEP manufactures high quality security documents that deter counterfeiting. These manufactured products are grouped into two programs: Federal Reserve notes and other security documents. The Bureau's Manufacturing activity supports the Department of the Treasury's strategic

objective, Increase the Reliability of the U.S. Financial System.

Protection and Accountability of Assets (\$65,000,000 from reimbursable programs) BEP's Protection and Accountability of Assets activity also supports the Department of the Treasury's strategic objective, Increase the Reliability of the U.S. Financial System. BEP provides effective and efficient product security and accountability during the manufacture and delivery of currency notes to the Federal Reserve System which preserves the integrity of the nation's currency.

Legislative Proposals

BEP has no legislative proposals for FY 2008.

Capital Investments Summary

BEP has no major IT investments for FY 2008.

BEP Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Manufacturing	Manufacturing costs for currency (dollar costs per thousand notes produced) (\$) (E)	28.06	28.83	27.49	✓	30	33
Protection and Accountability of Assets	Currency shipment discrepancies per million notes (\$) (Oe)	0.01	0	0.01	✓	0.01	0.01

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

Manufacturing Costs for Currency (dollar cost per 1000 notes produced) is an indicator of manufacturing efficiency and effectiveness of program management. This measure is developed based on contracted price factors, and anticipated productivity improvements. Actual performance against standard depends on BEP's ability to meet annual spoilage, efficiency, and capacity utilization goals. Performance against this measure has been favorable for the past six years.

Currency Shipment Discrepancies are an indicator of the bureau's ability to provide effective product security and accountability. This measure refers to product overages or underages of as little as a single currency note in shipments of finished notes to the Federal Reserve Banks. For several years, this measure has had an annual target of .01 percent. The bureau has been able to meet or exceed this target on a regular basis. BEP continually strives to meet its long-term goal of zero percent, and has been able to do so several times.